



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarter ended 30 June 2012

	CURRENT QUARTER		CUMULATIVE QUARTER	
	3 months ended 30 June		6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<i>In thousand of RM</i>				
Continuing operations				
Revenue	151,716	148,879	290,915	272,505
Cost of sales	(119,938)	(119,346)	(230,901)	(217,527)
Gross profit	31,778	29,533	60,014	54,978
Other income	66	162	251	512
Administrative expenses	(3,417)	(2,918)	(7,054)	(6,118)
Results from operating activities	28,427	26,777	53,211	49,372
Finance income	1,647	1,282	3,251	2,347
Finance expense	(145)	(116)	(320)	(237)
Net finance income	1,502	1,166	2,931	2,110
Profit before tax	29,929	27,943	56,142	51,482
Income tax expense	(7,469)	(7,054)	(14,082)	(12,920)
Profit for the period	22,460	20,889	42,060	38,562
Other comprehensive income, net of tax	-	-	-	-
Profit/Total comprehensive income for the period	22,460	20,889	42,060	38,562
Profit attributable to:				
Owners of the Company	22,459	20,888	42,058	38,560
Non-controlling interests	1	1	2	2
Profit for the period	22,460	20,889	42,060	38,562
Profit/Total comprehensive income attributable to:				
Owners of the Company	22,459	20,888	42,058	38,560
Non-controlling interests	1	1	2	2
Profit/Total comprehensive income for the period	22,460	20,889	42,060	38,562
Earnings per share from continuing operations				
Basic earnings per ordinary share (sen)	4.05	3.78	7.59	6.97

The notes set out on pages 5 to 10 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2012

In thousand of RM

	30 June 2012 RM'000	31 December 2011 RM'000
ASSETS		
Property, plant and equipment	113,099	112,647
Investment property	1,338	-
Land held for property development	157,518	94,014
Total non-current assets	271,955	206,661
Inventories	35,024	23,246
Property development costs	24,256	27,845
Trade and other receivables	204,684	221,687
Prepayments and other assets	9,639	19,982
Cash and bank balances	194,844	183,721
Total current assets	468,447	476,481
TOTAL ASSETS	740,402	683,142
EQUITY		
Share capital	116,535	116,535
Capital redemption reserves	2,165	2,165
Retained earnings	344,105	322,222
Treasury shares	(23,226)	(31,672)
Total equity attributable to owners of the Company	439,579	409,250
Non-controlling interests	208	206
TOTAL EQUITY	439,787	409,456
LIABILITIES		
Deferred tax liabilities	16,112	15,930
Total non-current liabilities	16,112	15,930
Trade and other payables	272,964	249,713
Current tax liabilities	11,539	8,043
Total current liabilities	284,503	257,756
TOTAL LIABILITIES	300,615	273,686
TOTAL EQUITY AND LIABILITIES	740,402	683,142
Net Assets Per Share Attributable to Ordinary Equity Owners (RM)	0.79	0.75

The notes set out on pages 5 to 10 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the period ended 30 June 2012

	Period ended 30 June	
	2012 RM'000	2011 RM'000
<i>In thousand of RM</i>		
Cash flows from operating activities		
Profit before taxation from continuing operations	56,142	51,482
<i>Adjustments for:-</i>		
Non-cash items	4,180	3,834
Non-operating items	(2,896)	(1,758)
Operating profit before changes in working capital	57,426	53,558
Change in Inventories	(11,778)	1,200
Change in property development costs	3,589	(1,904)
Change in receivables, prepayment and other financial assets	(6,186)	(266)
Change in payables	22,931	20,292
Cash generated from operations	65,982	72,880
Income taxes paid	(10,404)	(8,375)
Net cash from operating activities	55,578	64,505
Cash flows from investing activities		
Acquisition of property, plant & equipment	(4,789)	(10,019)
Proceeds from disposal of property, plant & equipment	125	698
Acquisition of investment property	(1,340)	-
Land held for property development	(29,517)	(782)
Interest received	2,795	1,601
Net cash used in investing activities	(32,726)	(8,502)
Cash flows from financing activities		
Purchase of treasury shares	(1,685)	(4,414)
Dividend paid to owners of the Company	(10,043)	(7,458)
Net cash used in financing activities	(11,728)	(11,872)
Net increase in cash and cash equivalents	11,124	44,131
Cash and cash equivalents at 1 January 2012 / 1 January 2011	183,720	89,252
Cash and cash equivalents at 30 June 2012 / 30 June 2011	194,844	133,383

Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:

	Period ended 30 June	
	2012 RM'000	2011 RM'000
<i>In thousand of RM</i>		
Cash and bank balances	25,703	9,210
Deposits with licensed banks	169,141	124,623
Less Deposit pledged	-	(450)
	194,844	133,383

The notes set out on pages 5 to 10 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the period ended 30 June 2012

	-----Attributable to owners of the Company-----						NON-CONTROLLING INTEREST RM'000	TOTAL EQUITY RM'000
	-----Non-distributable-----		-----Distributable-----					
	SHARE CAPITAL RM'000	CAPITAL REDEMPTION RESERVE RM'000	TREASURY SHARES RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000			
<i>In thousand of RM</i>								
Period ended 30 June 2012								
At 1 January 2012	116,535	2,165	(31,672)	322,222	409,250	206	409,456	
Profit/Total comprehensive income for the period	-	-	-	42,058	42,058	2	42,060	
Dividends to owners								
- 2011 final	-	-	-	(7,533)	(7,533)	-	(7,533)	
- 2011 special	-	-	-	(2,511)	(2,511)	-	(2,511)	
Treasury shares, at cost	-	-	(1,685)	-	(1,685)	-	(1,685)	
Share dividends	-	-	10,131	(10,131)	-	-	-	
At 30 June 2012	116,535	2,165	(23,226)	344,105	439,579	208	439,787	
Period ended 30 June 2011								
At 1 January 2011	116,535	2,165	(21,029)	247,369	345,040	203	345,243	
Profit/Total comprehensive income for the period	-	-	-	38,560	38,560	2	38,562	
Dividends to owners								
- 2011 final	-	-	-	(4,972)	(4,972)	-	(4,972)	
- 2011 special	-	-	-	(2,486)	(2,486)	-	(2,486)	
Treasury shares, at cost	-	-	(4,414)	-	(4,414)	-	(4,414)	
At 30 June 2011	116,535	2,165	(25,443)	278,471	371,728	205	371,933	

The notes set out on pages 5 to 10 form an integral part of, and should be read in conjunction with this interim financial report and the Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

NOTES TO THE INTERIM FINANCIAL REPORT

For the quarter ended 30 June 2012

1. Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Financial Reporting Standard (FRS) 134, Interim Financial Reporting. They do not include all the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011.

2. Significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies applied in the 2011 financial statements except for the adoption of the new and revised FRSs, IC Interpretations and Amendments that are applicable to the Group for the financial period beginning 1 January 2012. The adoption of these FRSs, interpretations and amendments does not have any material impact on the financial statements of the Group.

MASB, in furtherance with its objective of converging the accounting framework for entities other than private entities in Malaysia with International Financial Reporting Standard (IFRS), announced on 19 November 2011 the issuance of Malaysian Financial Reporting Standards (MFRSs). Entities other than private entities shall apply the MFRSs framework for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141, Agriculture and/or IC Interpretation 15, Agreements for the Construction of Real Estate.

An entity subject to the application of MFRS 141 and/or IC Interpretation 15 may continue to apply FRSs as its financial reporting framework for annual reporting period beginning on or after 1 January 2012. On 30 June 2012, MASB announced its decision to allow entity subject to the application of MFRS 141 and/or IC Interpretation 15 to defer the adoption of the MFRS framework to annual period beginning on or after 1 January 2014. As such, the Group plans to adopt the MFRS framework for annual periods beginning on or after 1 January 2014.

3. Seasonality and Cyclicity of Operations

The business operations of the Group are not materially affected by any seasonal or cyclical factors except that the level of construction activities in the first quarter of the year and during rainy season is generally lower.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter and financial year to date.

5. Changes in estimates

There were no changes in estimates reported in prior financial years that have a material effect in the current interim period.

6. Debt and Equity Securities etc

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities except for the following:

Share Buy Back

During the current quarter under review, the Company repurchased 1,121,300 of its own shares from the open market at an average price of RM1.503 per share. The shares repurchased are retained as treasury shares and carried at cost.

As at 30 June 2012, the number of treasury shares held were 24,942,881 shares at a total cost of RM23,226,156 and all the repurchase transactions were financed by internally generated funds. None of the shares purchased back was resold or cancelled during the quarter under review.

Share Dividend

On 12 April 2012, 10,939,477 treasury shares at the total cost of RM10,131,070 were distributed as share dividends to the Company's shareholders in a ratable ratio of one (1) treasury share for every fifty (50) existing ordinary shares of RM0.20 each held whose name appear on the Record of Depositors on 28 March 2012.



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

7. Operating Segment

The Group has two reportable segments, as described below, which are the Group's strategic units.

Construction
Property development

Marine and civil engineering works and construction
Development of residential and commercial properties

For the period ended 30 June 2012

In thousand of RM

Segment profit

Revenue from external customers
Segment profit before tax, interest, depreciation
and other material non-cash items

Depreciation

Interest income from bank balances

Interest income from other financial assets

Interest expense on other financial liabilities

Segment profit before tax

Income tax expense

Profit for the period

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Revenue from external customers</i>	277,220	13,695	-	-	290,915
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	53,681	3,806	(2)	4	57,489
Depreciation	(4,249)	(29)	-	-	(4,278)
Interest income from bank balances	2,566	237	7	-	2,810
Interest income from other financial assets	441	-	-	-	441
Interest expense on other financial liabilities	(320)	-	-	-	(320)
Segment profit before tax	52,119	4,014	5	4	56,142
Income tax expense					(14,082)
Profit for the period					42,060

Segment assets

	521,757	208,151	10,840	(346)	740,402
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For the period ended 30 June 2011

In thousand of RM

Segment profit

Revenue from external customers
Segment profit before tax, interest, depreciation
and other material non-cash items

Depreciation

Interest income from bank balances

Interest income from other financial assets

Interest expense from other financial liabilities

Segment profit before tax

Income tax expense

Profit for the period

	Construction	Property Development	Other non-Reportable segment	Inter-Segment elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Revenue from external customers</i>	259,059	13,446	-	-	272,505
<i>Segment profit before tax, interest, depreciation and other material non-cash items</i>	49,184	4,454	(1)	-	53,637
Depreciation	(4,242)	(23)	-	-	(4,265)
Interest income from bank balances	1,438	223	6	-	1,667
Interest income from other financial assets	671	9	-	-	680
Interest expense from other financial liabilities	(237)	-	-	-	(237)
Segment profit before tax	46,814	4,663	5	-	51,482
Income tax expense					(12,920)
Profit for the period					38,562

Segment assets

	478,513	146,125	9,495	(350)	633,783
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The activities of the Group are carried out in Malaysia and as such, segmental reporting by geographical locations is not presented.

8. Dividend Paid

The final dividend of 9% per share less tax at 25% totaling RM7,532,439 and the special dividend of 3% per share less tax at 25% totaling RM2,510,812 for the year ended 31 December 2011 were paid on 18 June 2012.

As mentioned in Note 6 above, the Company has, on 12 April 2012 distributed a share dividend on the basis of one (1) treasury share for every fifty (50) existing ordinary shares of RM0.20 each held by shareholders whose name appear on the Record of Depositors on 28 March 2012. The total number of treasury shares distributed was 10,939,477.

9. Subsequent Material Events

There was no material events subsequent to the end of the period reported on till the date of this quarterly report.

10. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

11. Contingent Liabilities

There were no contingent liabilities in respect of the Group that have arisen since 30 June 2012 till the date of this quarterly report.

12. Property, plant and equipments

The acquisitions and disposals of property, plant and equipments for the period ended 30 June 2012 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2012	2011
	RM'000	RM'000
Acquisitions of property, plant and equipments, at cost	4,789	10,019
Disposals of property, plant and equipments, at carrying amount	<u>60</u>	<u>618</u>

13. Commitments

The amount of commitments not provided for in the interim financial report as at 30 June 2012 were as follows:-

<i>In thousand of RM</i>	<u>As at 30 June</u>	
	2012	2011
	RM'000	RM'000
Acquisition of property, plant and equipment		
Approved and contracted for	415	2,881
Approved but not contracted for	400	800
	<u>815</u>	<u>3,681</u>

14. Recurrent Related Party Transactions

The aggregate gross value of significant recurrent related party transactions for the period ended 30 June 2012 were as follows:-

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2012	2011
	RM'000	RM'000
Aggregate gross value of significant recurrent related party transactions	<u>28,553</u>	<u>22,453</u>

The significant related party transactions comprise transactions with companies controlled by or connected to certain substantial shareholders and/or Directors of the Company, namely:

- i) Yii Chi Hau, the late Yu Chee Lieng, Yu Chee Hoe and Yii Chee Sing (Yu/Yii Brothers); and
- ii) Lau Kiing Kang and Lau Kiing Yiing (brothers-in-law of the Yu/Yii Brothers).

The above transactions have been entered into in the ordinary course of business and are on terms not more favourable to the Related Party than those generally available to the public.

15. Key Management Personnel Compensation

<i>In thousand of RM</i>	<u>6 months ended 30 June</u>	
	2012	2011
	RM'000	RM'000
Directors' compensation	1,609	1,607
Other key management personnel compensation	<u>1,698</u>	<u>1,589</u>



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA’S LISTING REQUIREMENTS

For the quarter ended 30 June 2012

16. Review of Performance

The Group derives revenue from construction and property development activities.

Revenue for the quarter under review is RM151.72 million, an increase of 2% against the preceding year corresponding quarter’s figure of RM148.88 million. The increase was mainly due to the increased activities in construction segment which contributed RM143.68 million (95%) of the Group’s revenue for the current quarter.

Net profit before tax of the Group for the current quarter is RM29.93 million, an increase of 7% as compared to RM27.94 million for the preceding year’s corresponding quarter, due to increase in revenue and improved margins from projects carried out. Construction segment contributed RM27.86 million (93%) of the Group’s profit before tax, an increase of 10% against the preceding year corresponding quarter’s figure of RM25.39 million.

17. Variation of Results against Immediate Preceding Quarter

The net profit before tax of the Group for the current quarter is RM29.93 million compared to RM26.21 million for the immediate preceding quarter on the back of the Group’s revenue of RM151.72 million and RM139.20 million respectively.

18. Current Year Prospects

The Group currently has approximately RM2 billion worth of projects in hand and will continue to pursue projects that utilize its core strength in marine engineering, civil engineering and construction. HSL has shown another strong first half year financial results for 2012. With the coming on stream of the various projects to be implemented under the Government’s development agenda such as the rural development initiatives, upgrading of public infrastructure to cope with the issues of rapid urbanization and the on-the-ground implementation of SCORE (Sarawak Corridor of Renewable Energy) projects coupled with HSL’s leading position in the industry, we can expect another strong year in 2012.

19. Actual profit vs forecast profit / Profit guarantee

This note is not applicable, as no profit forecast was published and the Group is not required to give any profit guarantee.

20. Income Tax Expense

<i>In thousand of RM</i>	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2012 RM’000	2011 RM’000	2012 RM’000	2011 RM’000
Current Tax Expense - Malaysian				
Current quarter/period	7,719	5,994	13,985	11,541
(Over)/Under provision in prior year	(85)	498	(85)	498
Deferred Tax Expense - Malaysian				
Current quarter/period	(165)	1,064	182	1,460
Over provision in prior year	-	(502)	-	(579)
Income tax expense	7,469	7,054	14,082	12,920
Reconciliation of effective tax expense				
Profit for the quarter/period	22,460	20,889	42,060	38,562
Total income tax expense	7,469	7,054	14,082	12,920
Profit before taxation	29,929	27,943	56,142	51,482
Income tax using Malaysian tax rates	7,482	6,986	14,035	12,871
Non-deductible expenses	72	72	132	130
(Over)/Under provision in prior year	(85)	(4)	(85)	(81)
Income tax expense	7,469	7,054	14,082	12,920

21. Status of Corporate Proposals

There was no corporate proposal announced but not completed at the date of this quarterly report.



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

22. Group Borrowings and Debt Securities

There were no borrowings and debt securities outstanding as at the end of the reporting period.

23. Material Litigation

There was no material litigation pending since 30 June 2012 till the date of this quarterly report.

24. Dividend

The Board of Directors has declared a first interim ordinary dividend of 7% per share less tax at 25% for the year ending 31 December 2012, payable to the shareholders on 8 October 2012. The dividend entitlement date shall be 18 September 2012.

25. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2012	2011	2012	2011
Net profit attributable to ordinary owners of the Company (RM'000)	22,459	20,888	42,058	38,560
Weighted average number of ordinary shares ('000)	554,199	552,741	554,340	553,128
Basic earnings per share (sen)	4.05	3.78	7.59	6.97

26. Profit before tax

Profit before tax is arrived at after charging/(crediting) the following:

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
<i>In thousand of RM</i>	2012 RM,000	2011 RM,000	2012 RM,000	2011 RM,000
Interest income from bank balances	1,442	939	2,810	1,667
Interest income from other financial assets	205	342	441	680
Other income including investment income	54	64	125	129
Interest expense on other financial liabilities	145	116	320	237
Depreciation and amortization	2,146	2,205	4,278	4,265
Provision for and write off of receivables	-	-	-	-
Provision for and write off of inventories	-	-	-	-
Gain/(loss) on disposal of properties, plant and equipment	-	13	83	82
Gain/(loss) on disposal of investments	-	-	-	-
Impairment of financial assets	-	-	-	-
Foreign exchange gain/(loss)	4	12	29	169
Gain/(loss) on derivatives	-	-	-	-
Exceptional item	-	-	-	-

27. Derivative Financial Instruments

There were no derivative financial instruments as at 30 June 2012.

28. Gains/Losses arising from fair value changes of financial liabilities

There were no gains or losses arising from fair value changes of the financial liabilities for the current quarter and financial period ended 30 June 2012.



QUARTERLY REPORT – Second Quarter Ended 30 June 2012

29. Disclosure of realised and unrealised profits

The breakdown of the retained profits of the Group into realised and unrealised profits, pursuant to the directive of Bursa Securities Malaysia Berhad, is as follows:

<i>In thousand of RM</i>	As at 30 June 2012 RM'000	As at 30 June 2011 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	360,657	293,860
- Unrealised	(16,198)	(15,034)
	344,459	278,826
Less : Consolidation adjustments	(354)	(355)
Total retained profits as per consolidated financial statements	344,105	278,471

The determination of realised and unrealised profits is complied based on *Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements*, issued by the Malaysian Institute of Accountants.

30. Audit Report

The auditors have expressed an unqualified opinion on the Group's and Company's statutory financial statements for the year ended 31 December 2011 in their report dated 26 March 2012.

31. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 August 2012.

Issue Date: 29 August 2012